

# AUTUMN BUDGET 2025

AS PREPARED BY



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IN COLLABORATION WITH



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## **Introduction**

After the Office for Budget Responsibility accidentally published the fiscal report two hours earlier than expected, we were able to follow along with Rachel Reeves's changes as they were announced.

Many of the measures were widely predicted and some we had expected to see didn't materialise.

These measures are expected to raise around £26 billion in new taxes by 2029/30 and increasing the government's fiscal headroom to £22 billion. Headroom is the ability to spend or cut taxes without borrowing.

Despite the speculation, this budget was not so much about immediate cuts or giveaways but instead a reshaping of taxation and incentives.

We were warned that HMRC will be given more powers to prevent and track down unpaid taxes particularly in relation to tax avoidance schemes.

## **Changes announced**

### *Income tax and NI thresholds*

The thresholds at which people begin paying income tax and national insurance will be frozen for a further three years to 2031. Those pensioners with just state pension will not be made to pay tax via simple assessment which has been a big question in the media.

### *No changes in the following areas;*

National insurance rates

Income tax rates (in either basic, higher or additional rate bands)

VAT rates

Corporation tax rates

Despite many discussions in these areas, Rachel Reeves's has specifically said there will be no changes. The anticipated VAT threshold decrease did also not come to fruition.

### *Corporation tax changes*

Although the rates of corporation tax are staying the same, there are two other changes to consider. From April 2026, the main rate of writing-down allowances for capital allowances will be cut by 4 percentage points. To offset the reduction in writing down allowances, a 40% first-year allowance will apply for eligible main rate assets.

### *Property, savings and dividend rates*

The tax rates in the basic rate and higher rate bands will increase by 2%. For property and savings, the additional rate band will also increase by 2%.

### *Salary sacrifice for pensions*

Salary sacrifice pension contributions above £2,000 per year will be subject to the same tax and national insurance rates as their other employment earnings starting in the tax year 6 April 2029

### *National and living minimum wage*

From 1 April 2026, the rate for workers will increase;

21 and over rises by 4.1% from £12.21 to £12.71 per hour.

18–20 year-olds will increase by 8.5% from £10.00 to £10.85 per hour.

### *Removal of two-child benefit cap*

As was highly reported, the cap that limited benefit payments for families with more than two children is to be scrapped which restores the full benefit eligibility regardless of the amount of children.

### *Employee Ownership Trusts*

This area currently receives 100% relief on capital gains tax for business sales made to EOT's. This is being amended to 50% relief.

### *Apprenticeship funding*

A fairly quick announcement was made for apprentices under 25. More details will need to be given but it has been said that training for these apprentices will be fully funded.

### *State pension*

Basic and new state pension will rise by 4.8% meaning an increase of £440 or £578 per annum depending on what pension is being received.

### **Changes announced cont...**

#### *Mansion tax*

High value council tax surcharge to be introduced in the 6 April 2028 year. For properties worth more than £2 million an annual charge of £2,500 will apply which will be payable via council tax. For properties valued at more than £5 million, an annual charge of £7,500 will apply.

#### *EIS and VCT investment schemes*

It was announced that Enterprise investment schemes and Venture Capital Trusts will extend beyond start ups which may offer useful tax efficient investment routes for business owners and investors.

#### *Electric vehicles*

Owners of electric cars will face a new tax of **3p per mile** which starts April 2028. For those with hybrid plug-ins this tax will be 1.5p per mile.

#### *Savings via Cash-ISAs*

The annual tax-free allowance for cash ISAs will fall from £20,000 to £12,000 for under-65s. The additional £8,000 will still remain for those holding investments.

#### *Alcohol, tobacco and vape duties*

The previously announced duties in these areas will remain.

### **Effects in our local community**

Individuals and business owners in our local community should consider that these changes have the following impacts;

Individuals whose income increases through pay rises may find themselves pushed into higher tax brackets. This is not because rates have changed but because thresholds are frozen.

Pension planning for higher earners may need to be revisited. Salary sacrifice schemes are being taxed which reducing the attractiveness of this route.

Landlords or homeowners could face extra taxes if properties are above the £2 million threshold. This may affect local high-value properties, second homes or buy-to-let portfolios.

Individuals receiving dividends, rental profits or savings may need to revisit their extraction strategies given the changes in dividend & savings taxation.

Increases in minimum wage for employees may mean higher overall staff costs as national insurance and pensions costs will also increase.

## **Conclusion**

This budget delivered a mixed bag of announcements with some welcome news for certain sectors – particularly those in retail, hospitality and leisure properties who have been promised continued business rates reductions. However, this does appear to be at the expense of those in properties worth more than £500,000.

Many households and business owners could see material financial impacts. Especially those with income from property, dividends or savings or those on the cusp of higher tax brackets.

A key point to take away from today is although measure have now been announced, the exact rules effective dates and detailed guidance remain outstanding.

Therefore, if you are concerned with anything you see in this report or in the media, you should return to your accountant to discuss it.

If you would like to speak to anyone at Dominic Hill Chartered Accountants, please contact us on [info@dominichill.co.uk](mailto:info@dominichill.co.uk) or 01323 649509.